

Globalization and Local Entrepreneurial Challenges, Opportunities and Traits in Ethiopia: The Case of Addis Ababa SME-Industries

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Abstract

Globalization increased competitive pressure and rapid technological changes that brought the business world to a point in history and thus, the Small and Medium Enterprise (SME) on manufacturing industry sector in Africa and Ethiopia, are experiencing new challenges and opportunities as they attempt to harvest domestic business and globalize their operations and become competitive. The objective of this study was to assess the extent to which the manufacturing industry SME's in Addis perceived the challenges, opportunities traits of Globalization, therefore the study sought to answer the question what are challenges, Opportunities, traits of globalization & the strategies adopted by small and medium enterprises to cope with challenges of globalization in Addis Ababa, Ethiopia? As globalization phenomenon is reshaping the economies, redefining national cultures, influencing inflows of capital & labor, the survival of non-innovative indigenous Small & medium size manufacturing business will be in question unless SMEs have in place the right strategies in order to embrace the changing circumstances in the world marketplace. The design of this research was descriptive survey research. The target population of the study was 405 small and medium enterprises in Addis Ababa. The researcher developed a questionnaire that contained the questions which were both closed-ended and also a few open-ended. The collected data was thoroughly examined and checked for completeness and comprehensibility. The study further analyzed the data using descriptive statistic and factor analysis. From the findings, the study revealed that most of the small and medium manufacturing industries in Addis Ababa are not involved in the global market and their domestic market coverage is also not at satisfactory level. SME industries have been pushed by increasing globalization, heavy competition. Newly empowered customers in new markets and fast-changing technologies that has been requiring the firms to respond to global business in SME sector. The study concluded by recommending SME-industries to have global business outlook, focus on developing skill-based entrepreneurship, innovation and leadership management.

Keywords: Globalization, Entrepreneurship, Small and medium enterprises

INTRODUCTION

The world is in a dynamic state of transition and transformation. The whole world is now moving towards an integration of a single global market, referred to as the Global Village in which everyone is free to live, sell and buy. Hence, no one can deny that globalization has changed the way we conduct business (Ritzier, 2010). According to (Akram, 2011) globalization refers to the merging of historically distinct and separate national markets into one huge global marketplace. The expansions of global markets liberalize the economic activities of exchange of goods and funds in addition to the removal of cross-border trade barriers has made the formation of global markets more feasible.

Although it may be argued that globalization creates room for free access to the world market, the truth seems to lie in the assertion that only developed countries benefit from the deal because they put in place protective measures or standards to discriminate the quality and quantity of developing countries' goods and services entering their markets and at same time dictating poor economies to open their markets for foreign goods and services (Ibrahim, 2004). The excessive openness of the market created a dumping ground for goods from the developed world.

Globalization was defined by many individuals and institutions in different corners of the world and in different perspectives. Adan (2011) defines globalization is the integration of states, through increasing contact, communication, and trade, to create a common global culture for all humanity. Also, Nicholas (2004) argues that globalization can be thought of as a process of integration of goods and capital markets across the world in which barriers to international trade and foreign investment are reduced. However, in this study, the researchers use the definition made by (Nicholas, 2004) because this definition is in line with the objectives of this study. Globalization has also generated large international opposition over concerns that it has increased inequality and environmental poverty.

Globalization has been the most fashionable term in the world economy during the last two decades (Ismihan, 2008). Globalization's effect in economic, social, cultural, political, and other aspects of contemporary life, this study only focuses on the economic aspects, using the manufacturing sector as a case. Furthermore, since the effect of globalization on the local manufacturing sector is investigated the study does not attempt to

measure the process of globalization as general but rather the degree to which it affects local manufacturing companies, in terms of the stiffer competition (dumping made by foreign giants) their operations face.

Globalization is the integration of economic, political, and cultural systems around the world which has an impact of almost every life on the globe; the world is getting closer and closer day after day due to the spread of the internet which is making the world seem like a small village. In the business context, however, globalization (along with its market liberalization) opened borders for goods to travel from one country to the other and as a result of this, there are new competitors entering into the formerly protected domestic market (Moekotte&Freye, 2008).

Globalization has both positive and negative consequences; it is positive to the development as it will give rise to new industries and more jobs in developing countries and it is negative in that it will force poorer underdeveloped countries of the world to do whatever the big developed countries tell them to do (Rucks, Blokland, White, & Bachelor, 2005). For the least developed sub-Sahara African countries such as Ethiopia globalization could mean a threat to the survival of local businesses those cannot compete with the foreign goods imported from the developed economies which might result in the close down of some local manufacturing firms, these developed economies had the opportunity to industrialize by wisely utilizing their resources while on the other hand underdeveloped economies are not given such opportunities (Ibrahim, 2004).

In Ethiopia, MSEs sector is the second largest employment-generating sector following agriculture (CSA, 2014). At the end of the period of growth and transformation plan (GTP-I) (2011-2014), the plan was to create job opportunities for 3 million citizens. CSA (2015) reported that from the year 2011-2014 the SME sector was able to Generate 6,671,012 jobs, exceeding the goal set for the total GTP-I period (3 million Jobs) & Generated 65,375,026 USD through Foreign Market linkage, exceeding the goal set for the total GTP-I, period (46,166,142USD). Despite all these success stories reported at the end of GTP-I (CSA, 2015), the study conducted & published by EEA 2014 titled "Small and Micro Enterprises (SMEs) Development in Ethiopia: Policies, Performances, Constraints and Prospects" signaled that the share of manufacturing SMEs in GDP has declined from about 1.6 percent in 2004/05 to 1.3 percent in 2012/13.

Regarding the role of small and medium enterprises in the process of industrial development, empirical studies fail to investigate the challenges, opportunities & traits of globalization on small & medium scale enterprises. For instance, the research conducted by Hagos (2012) also tried to investigate the challenges and prospects of SME and found that government financial policies and development strategies are the major challenge for SME progress and recommended deregulating the banking and financial sector to make room for international financial intermediary funding with its wealth of technical expertise to augment the credit acquisition process for SMEs.

Bizusew Kebede (2015) study on the title "The Challenges of Micro and Small Enterprises" & tried to identify the challenges faced by SMEs in Bahir Dar City Administration. Some of the factors identified are constraints to access alternative financing sources, market to their products, computer-related services, training and advisory services, skilled personnel, access to infrastructure, and access to production inputs. However, the study fails to investigate the opportunity and trait on SME business due to globalization. Another research by Mekonnen (2014) with Title "Assessing Factors Affecting Transitional Development of Small Scale to Medium Scale Enterprise" concludes that internal management issues of SME's, lack of knowledge & government bureaucracy are the main factors hindering the growth of the SME. Therefore, the purpose of this study is to assess the challenges/effects of globalization on indigenous SME in Addis Ababa and come up with policy recommendations.

The general objective of this paper is to assess the challenges, opportunities & traits of globalization on local small and medium enterprises with particular emphasis on value adding industries.

The finding of the study helps policymakers, SME financiers & donors to give due emphasis to assist SME in reducing the challenges of globalization on SME entrepreneurship activity. Adds a piece of contribution to the current knowledge with regards to globalization opportunities, traits and its challenges with Ethiopian SME entrepreneurs and invites for further research. It gives SME owners an opportunity to gain deep knowledge on major opportunities of globalization.

REVIEW OF RELATED LITRATURE

The Concept of Globalization

Many authors have attempted, with relative success, to define globalization in a variety of ways. Some claim that it cannot be defined concretely; others claim that it would constrain the meaning to even try to define it narrowly. Despite differing opinions about developing a definition, all authors agree on one thing: that defining this term is anything but not easy (Al-Rodhan, 2006:2). "Globalization is an expansion of markets, knowledge, culture, and technology beyond the borders of any nation" (Ifeh, 2002:1). "Globalization is what we in the third world have for several centuries called colonization" (Khor, 1999:16). "Globalization is the establishment of a global market free from socio-political control" (Nikitin and Elliott, 2003:115). "Globalization is a complex, multidimensional

and uneven process through which goods and services, capital, people, information, and ideas flow across borders, leading to greater integration of economies and societies. Globalization is the process of growing connectivity and integration among countries.” (DeJonge, 2003:2).

Generally, it is believed it would be fair to say our world is not as global as the most hyper-globalists would claim. Nor would it be a harmful and damaging force as many anti-globalists would proclaim. Either way, the notion of a globalized economic world has become widely accepted. So what exactly is ‘globalization’? In his seminal work *Global Shift*, Dicken (2007:8) asserts that “what we have is not a single, unified phenomenon, but a syndrome of processes and activities. Globalization is a super complex series of multicentric, multi-scalar, multi-temporal, multiform and multi-causal processes”.

Global integration and coordination are the organizational structure and management processes by which various activities scattered across the world are made interdependent on each other. Dicken (2003) observes that export of goods and services and clusters of manufacturing are now more evenly distributed than decades ago. In addition, Dicken (2003:57) notes that “we see clear signs that the relatively simplistic division of the global economy has disappeared”. The simplistic division as he puts it would be the domination of exports and foreign direct investment by the traditional Western powerhouse economies. Although the center of gravity is still located in those Western nations, a substantial shift is occurring where developing countries are getting increasingly competitive and getting a bigger share. (Forsgren, M. 2016) described that entrepreneurship is closely linked to the firm and its resources .For entrepreneurs to internationalize their business and even compete at local level resource is important factor. Vahlne, J. E., & Johanson, J. (2017) on their paper titled “ From internationalization to evolution: The Uppsala model at 40 years” redefined Multi national business enterprises as “A firm that has a capability to build, develop and coordinate value-creating multinational business network structures, involving both internal and external actors “ (Vahlne, J. E., & Johanson, J, 2017.p34). all of the above researches failed to expolore the challenges ,opportunities & traits of globalization with respect to entrepreneurs in third world countries like Ethiopia.

Entrepreneurial Challenges in Globalization

According to Organization for Economic Co-operation and Development (OECD,1997) the process of globalization has presented new opportunities for those enterprises most who are able to respond flexibly and adaptively to rapidly changing regional and global markets but, it has also presented new challenges. It is generally recognized that SMEs face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to participate in globalization and competitiveness. There are many problems inherent in SME operations in Africa and Ethiopia. Some of the challenges include;

Market Liberalization and Competition

According to Adrien (2005) liberalization of markets is influenced by globalization, which is the free flow of factors of production across borders. Globalization is today forcing companies to compete at global standards of efficiency, productivity and quality. With its advent, most markets are now open to free trade thereby increasing competition in each market making it almost impossible for SMEs from the less developed countries like Ethiopia to survive the stiff competition. As markets open up and become more integrated, the pace of change accelerates, technology shrinks’ distances between markets and reduces the scale advantages of large firms making all markets accessible, thus creating new sources of competition. It has generally been noted that, through cross-border trade and investment, Ethiopian consumers have been buying more foreign goods and most local traders have found themselves selling goods from other countries. Their local markets have been invaded with secondhand and cheaper products, especially textiles and clothing, electronics among others particularly from China, South East Asia and the Western countries.

Information Technology

Globalization has come with advancement in information technology which has resulted in the opening and exposure of the people of the world to more fronts than ever before. According to Levitt (1983), a powerful force drives the world toward a converging commonality and that force is technology. It has facilitated communication, transport and travel. Even with change in technology, many small businesses appear to be unfamiliar with new technologies particularly those in the less developed countries. On the contrary, foreign firms still remain in the forefront in accessing the new technologies.

Market Environment

Globalization has dramatically changed the business landscape facing both large and small firms throughout the world. In addition, the impact of industrial activity on the environment has also heightened, adding to the complexity of doing business in today's world. The emerging global environment is changing in fundamental ways including the very nature of exports.The turbulent environment poses new challenges to managers that require different organizational responses depending on the degree of involvement in global business. Through globalization, companies have also faced stiffer competition from larger multinationals hence rendering most of the local companies less competitive (Porter, 2008). Wanjohi and Mugure (2008) also indicate that business environment is among the key factors that affect the growth of SMEs.

Opportunities of Globalization

Relative to larger firms, SMEs can better respond to changing market conditions, evolving consumer preferences and shorter product life cycles by customizing and differentiating products. New communication tools make it easier for small firms to reach foreign partners. As a result, SMEs are becoming more involved in international strategic alliances and joint ventures, both alone and in groups (Smolková 2010). Larger multinationals are partnering with smaller firms with technological advantages to economize on R&D, minimize the lead-time for new products and serve emerging markets. The development of new technologies has been responsible for many changes in business (Cameron, Green, 2006). The implementation of modern information and communication technologies has changed the traditional forms of business. Increasing sophistication in communication technologies has revolutionized the ways in which SMEs can communicate and maintain relationships with customers (Kressel, Lento, 2012). Global communications such as satellite, cable TV and internet, have made it possible also for SMEs to reach a wider audience. The advent of Internet-based electronic commerce offers considerable opportunities to SMEs to expand their customer base, enter new product markets and rationalize their businesses. Smaller firms can use e-commerce to customize products and services, manage supply processes and inventories and reduce the time between order and delivery (Lesáková, 2009).

SME's in Ethiopia

There are several definitions of the term small and medium enterprises (SMEs), varying from country to country. As a result, various indicators are used to define them, for example, the number of employees, amount of capital, total amount of assets, sales volume and production capacity. Recognizing the significance of this sector, the Ethiopian government issued and established the National Micro and Small Enterprises Strategy and the Federal Micro and Small Enterprises Development Agency in 1997 and 1998 respectively.

Below is the category of SMI, As per the last revised proclamation No.373/2016. The proclamation is being implemented effective from February 2016.

Table 01: SME category (2016)

| Type of Enterprise | Sector | human power | Total asset |
|--------------------|----------|-------------|--------------------------------------|
| Small Enterprise | Industry | 6 to 30 | 100,000 to birr 1.5 million |
| Medium | Industry | 31 to 100 | 1,500,001 to birr 20,000,000 million |

This research focuses specifically on SMEs operating in manufacturing sector, as per stated in the last proclamation. the research assessed the challenges, traits and opportunities of globalization on all categories of manufacturing structured by FSMMIDA. the categories are Garment & Textile, Leather Products, construction inputs, agro processing & mining, metal & wood works.

Strategies to cope with challenges of globalization

In globalization, new knowledge can be fetched from business alliances, partners, customers, competitors, products, and various channels of distribution. Inkpen (1998) concluded that in bringing together firms with different skills and knowledge bases, alliances create unique learning opportunities for the partner firms. While these concerns are global in nature, they manifest themselves differently based on firm context. As the external environment changes, organizations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to Nickols (2006), organizations respond to turbulence in the environment by formulating new strategy.

Adopting New technology

Change in technology stemming from product and process innovations contributes to technological uncertainty. capability building usually involves investing in diverse resources and possessing a wide array of strategic options (Bowman, 1993). We expect competitive flexibility to be of crucial importance in an environment that is characterized by high levels of technological uncertainty. Indeed, the rapid advancement in ICT will greatly facilitate the development of global products.

Strategic Alliances

Alliances are constructed as effective means to acquire access to new markets and special expertise or compete with others on the market. Today, enterprises of all sizes will have to depend more heavily on worldwide networks of communications and transportation and establish virtual organizations to remain responsive and flexible. To adopt agile manufacturing practices, they have to organize them into new teams as new opportunities arise. Cross-functional teams representing engineering and design, marketing, purchasing, distribution and service departments and customer representatives, some of whom are scattered widely in different cities or countries is becoming part of the product development process (Smith, 2003).

Innovation Strategies

Innovation strategies are the response to global challenges or future opportunities (Li and Atuahene-Gima, 2001). The generation of new ways of doing things, or new product or services, has tended to be the domain of research and development (R&D) as a response to the challenges of globalization, new and old knowledge combine to generate innovation. globally oriented new product development efforts are apparently evident in small firms as

well as large multinationals, attempting to design and develop products aimed at the worldwide market (Subramanian, Van Helden et al., 2001).

Diversification Strategy

Increased international diversity may increase a firm's ability to share activities of different geographic areas (Geringer et al., 1989), providing greater opportunities to achieve economies of scale in critical functions such as research and development and manufacturing over a broader base. In addition, internationally diversified firms have greater opportunities to leverage strategic resources while simultaneously diversifying market risks, thus raising their performance (Kim et al., 1993).

Strategic Human Resource Management

Huselid et al. (1997) presents a framework for Strategic Human Resource Management as a response to prepare organizations for the challenges of globalization. He observed that by and large organizations have achieved relatively low levels of effectiveness in implementing Strategic Human Resource Management (SHRM) practices (Huselid et al., 1997). If the propositions he outlined are supported, then the real challenge for organizations in the era of globalization is to pay particular emphasis to strengthening their human resources by upgrading the relevant competencies.

RESEARACH METHODOLOGY

This study used both quantitative and qualitative approaches of research design. The design of this research was descriptive survey research. A descriptive survey research seeks to obtain information that described existing phenomena by asking individuals about their perceptions, attitude, behavior or values (Mugenda and Mugenda 2003). The primary data is collected from primary sources via open end and closed end standard questions. Five point Likert scale questioner is used to design the closed end questioners.

As per the Ethiopian small and medium industries authority (Addis Ababa MSE agency report, 2011 E.C). The total population is 405, out of which 322 are small enterprises & 83 are medium enterprises. Randomly small and medium enterprises are selected across four sub cities from Addis Ababa to represent the total population of SMEs in Addis Ababa and requested fill the questionnaires. the selected sub cities are Nifasilk Lafto, Akaki-kality, Kirkos, Lideta. stratification across sectors was made based on the intensity of the sector activities such as Construction work, Metal and Woodwork, Textile and Garment, agro processing and mining.

Watson Jeff (2001) , formula was applied to determine appropriate sample of population for the study:

Data Analysis

For analysis of the data both quantitative and qualitative methods were employed. Quantitative data generated from the survey questionnaire were analyzed using SPSS & Qualitative data obtained through questionnaire and interviews were analyzed through descriptive method of analysis.

DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

Demographic Profile of Respondents

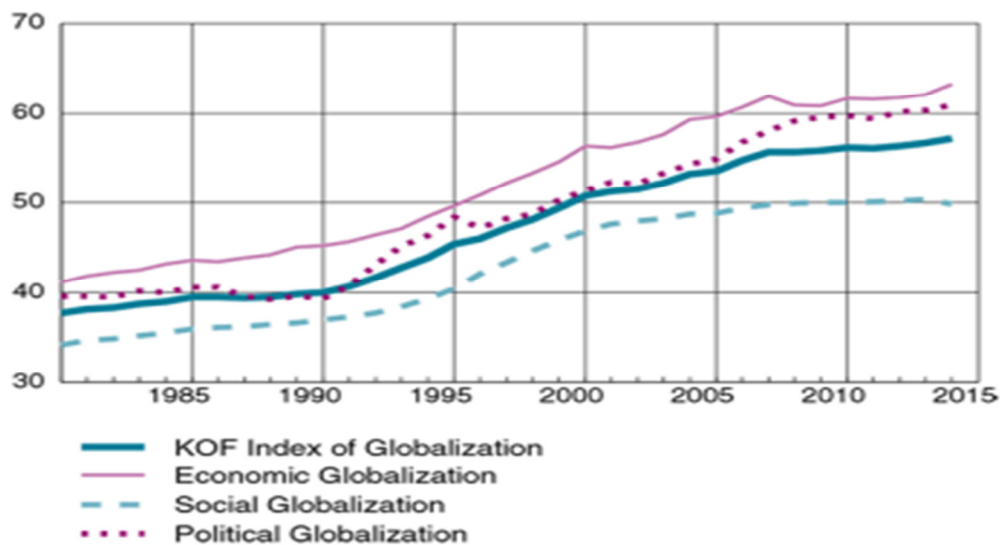
SMEs registered in manufacturing sectors are classified into five sectors: construction input, garment & textile work and metal & woodwork, Leather Products & Agro processing. Finally, from 207 distributed questionnaires, 152 usable questionnaires were obtained (85% response rate).

Table 02: General background information of Respondents (Source: Survey result, 2017)

| Indicators | Values | Frequency | Percentage |
|-------------------|--------------------|-----------|------------|
| Gender | Male | 147 | 84.0 |
| | Female | 28 | 16.0 |
| Educational level | Does Read & Write | 4 | 2.3 |
| | Primary School | 35 | 20.0 |
| | Secondary School | 35 | 20.0 |
| | Diploma or Degree | 92 | 52.6 |
| | Masters & Above | 9 | 5.1 |
| Position | Manager | 69 | 39.4 |
| | Owner | 106 | 60.6 |
| Enterprise | Sole Ownership | 101 | 57.7 |
| | Partnership | 38 | 21.7 |
| | Cooperative | 36 | 20.6 |
| enterprise scale | Small | 121 | 69.1 |
| | Medium | 54 | 30.9 |
| Sectors engaging | Garment & Clothing | 18 | 10.3 |
| | Metal & woodwork | 28 | 16.0 |
| | Construction Input | 61 | 34.9 |
| | Leather Products | 26 | 14.9 |
| | Agro Processing | 42 | 24.0 |

Challenges of globalization,

The current KOF Index of Globalization reflects the extent of economic, social and political globalization in 2014.



KOF Index of Globalization Report, 2014

According to the KOF Globalization Index above, the degree of globalization was higher in 2014 than in the preceding year, and the rise was the most significant since 2007. The largest increase was measured in the economic globalization dimension. In country specific trend of globalization, Ethiopia is being globalized at faster rate as per below Report from ROF, Ethiopia's globalization rate has increased by 27.18% in just 14 years (between 2000 GC-2014 GC). Table 0.1 Globalization Index –Ethiopia (Source KOF Report of 2014)

| Code | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| ETH | 30.9 | 31.4 | 31.3 | 36.3 | 38.3 | 38.5 | 38.1 | 38.2 | 37.9 | 37.5 | 37.5 | 36.8 | 37.9 | 39.3 | 39.3 |

Global Entrepreneurship, Each Region

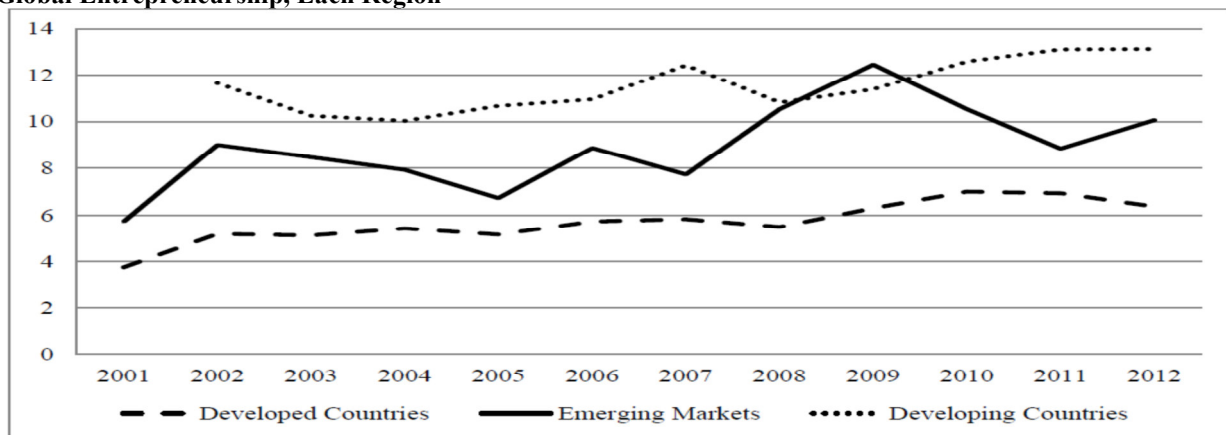


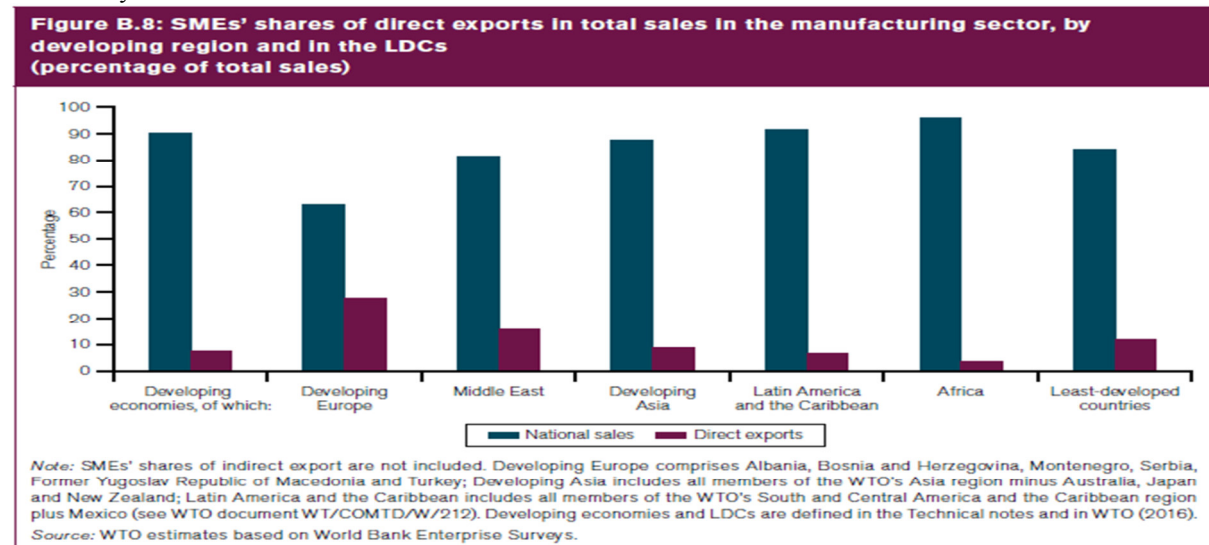
Figure4.3.3. Established Business Ownership 2001-2012, source Global Entrepreneurship Research Association (2013), "Global Entrepreneurship monitor", London Business School, UK.

Between 2001-2008 GC, the rate of entrepreneurship in developing countries & emerging market faster than developed countries, as a result of global economic turmoil between 2008GC & 2009GC entrepreneurs from emerging markets multiplied at faster rate than any other region in the world. From 2010GC onward the rate of entrepreneurship entering the market is growing at faster rate in developing countries being followed by emerging market and developed countries.

Even though the report of GEM Shows that the speed at which globalization is taking place helped entrepreneurship in developing countries & Emerging countries, than in developed countries (Figure 2). Report published on global Entrepreneurship Index (GEI, 2016) entrepreneurial attitudes, abilities and aspirations of the local population and then weights these against the prevailing social and economic 'infrastructure' and ranked Ethiopian entrepreneurial ecosystem 109 out of 137 countries under study by GEI.

strategies in response to rapid globalization trends

The WTO (2016) reports states that less than 3% of African SMEs exported their product to international market in year.



WTO (2016) Report ,levelling the trading field for SME

Lack of clear strategy or inability to address international market is reflected by looking at the number of product exporting SMEs from Africa. WTO report (2016) tabulated as per figure 6, the percentage of exporting SME from Africa & the rest of the world, less than 5% of SMEs in Africa export their product directly to international market with more than 90% sales address domestic market, while more than 25% of SMEs from developing Europe are engaged in direct export of their product to the rest of the world with 60% their product being offered to domestic market. The report has not considered SMEs indirect exports through different channels. The fact that globalization facilitated trade liberalization does not guarantee SMEs to be major players in global market. SMEs need have clear strategy to cope with globalization phenomena.

As discussed in the literature review SME firms need to adopt response strategies to globalization, in a way that helps them to enter foreign market through strategic alliance with foreign business partner. Below is how SMEs in Addis Ababa have responded on their view of having such strategy;

Adoption of strategy

SME in Addis Ababa has entirely not acquired other firms outside of Ethiopia (AFOE), this could be seen by 100% response of strongly disagree with pure homogeneity in their response (Mean=1, SD=0.00), majority of SMEs have neutral view on forming strategic alliance (FSA) with firm in foreign market (Mean=3.28, SD=1.11), most of the SMEs disagree (Mean=2.18, SD=0.64) on forging joint venture (FJV) with international strategic partners, again most of the SMEs (Mean=2.18, SD=0.53) has not undertaken restructuring (RST) in their firm, when it comes to undertaking turn round measures (TRM) like rebranding of products still the majorities of SMEs (Mean=2.31, SD=0.64) have not performed turn round measures to sustain their survival in the business. With respect to outsourcing non-core business activities (ONBA) and concentrating with core product, the majority of SMEs had reflected neutral view (Mean=3.28, SD=1.11) and it is understood during unstructured interview that the SMEs did not put outsourcing as a strategy but practically implement on case by case bases, so they preferred to respond neutral view on the point. As we can see from the result most of the SMEs has not offered response strategy to globalization, none of the strategies has been agreed by the majority of SMEs in Addis Ababa.

Adopt diversification strategies

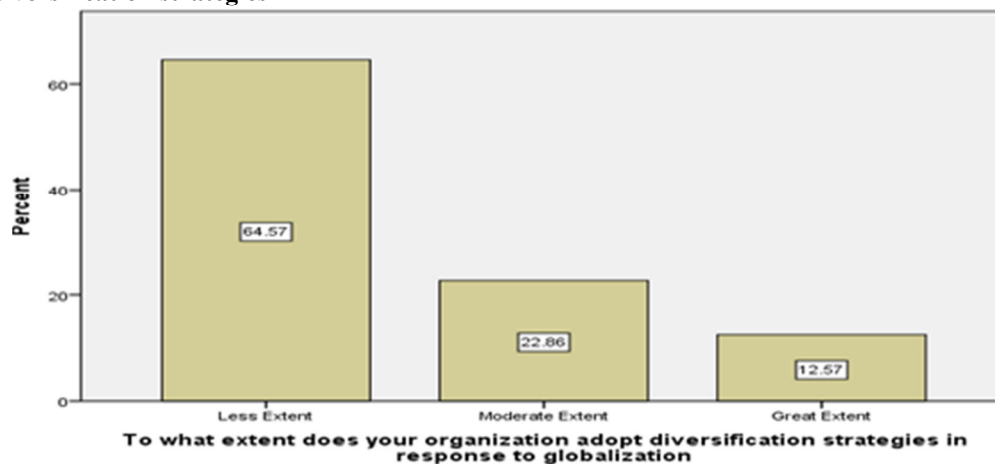


Figure: Adoption of diversification strategy (Source Survey Result)

Majority of SMEs in Addis (64.57%) consider the option of applying diversification strategy is less extent. this shows that the SME are concentrating on same geographic and product segmentation. most of the SMEs are not seeking expansion to new market in existing country (domestic market) and not also engaged diversifying the country (international markets) with exiting products. Only 12.57% of SME are optimistically looking to diversify their sales market and products segment. the remaining 22.86% of SME under the survey have moderate view on diversification strategy.

Adoption of Additional strategies

As per the survey result on the table most SME's are not following innovative strategy (62.9% Disagree),do not have management style that inspire motivation (74.3% Disagree),are to some extent networking with suppliers and stakeholders (45% Agree),did not integrate so fat the use of information system and information technology (76.6% Disagree) ,only few has joined foreign market (6.9% Agree),majority of them has no R&D (89.1% Disagree),SME's somehow use product differentiation (45.1% Agree) but the application is for addressing domestic market, very few of them are planning or undergoing change in production techniques/products (11.4%),they have less interest to hire highly skilled human resources (77.1% Disagree on employing highly). (the factor analysis table below intensifies same findings)

As per the above table from factor analysis (Annex), component 1 (Innovativeness), Component 2(leadership management skill), component 3 (integration of Information system and Information technology) are the most significant factors that should be considered as representative to the remaining factors listed. And the result of these most important factors indicate that SMEs are not mostly following innovation as strategy and do not follow innovative leadership style in managing their enterprises, but are networked to some extent with local stakeholders.

Products tailored for international customers

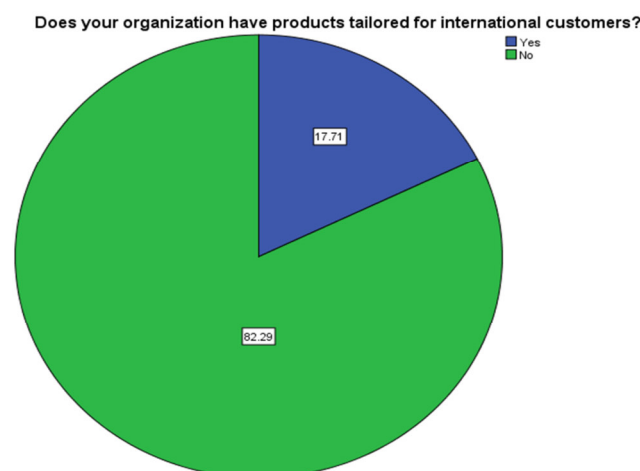


Figure: products tailored for international customers (Source: Survey Result)

Regarding products tailored to address international customers, the responses obtained show that less than one fourth (17%) of the respondents has products targeted to address foreign market.

competitive positioning as strategic responses

74.3% respondents agree that the product they produce is quality product. Though, clearly defined quality policy followed in production & certification, the SMEs defined quality in terms of perceived quality than measurable performance quality, very few 5.7% disagree that their product is not somehow not of high quality but they described the reason as they are new interact into the market. Again 74.3% agreed that they have target market segment and are addressing the segment with focus, but during face to face interview I am able to understand that they have not clear marketing mix tailored to meet the needs of SMEs on focus. The overall segmentation of business into different categories has been developed by FEMSEDA and the enterprises operate on pre-existing segment provided by the agency. 92.3% Dis agree on the product positioning in the market, this shows the majority of SMEs are not able to define their product and company in the mind customers. Below factor analysis intensifies same.

Globalization Opportunities & traits as perceived by SMEs

The Global Entrepreneurship Monitor (GEM) is a trusted global resource on entrepreneurship for key international organizations. The following table is extracted from GEM Report on Ethiopia; Table 0.1 GEM Report(2012)-Ethiopia

| Perceptions/values | Value % | GEM 2016 Rank |
|--|---------|---------------|
| Perceived Opportunities Rate | 64.9 | n/a |
| Perceived capabilities rate | 69.1 | n/a |
| Fear of failure rate | 32.7 | n/a |
| Innovation rate | 5.5% | n/a |
| Entrepreneurship as a good career choice | 76.2 | n/a |
| Entrepreneurial Intentions Rate | 23.8 | n/a |

Source: Global Entrepreneurship Monitor Report, 2012

As per the Ethiopia country index report from GEM (2012), perceived opportunities rate is 64.9%, perceived capabilities to handle those opportunities rate is 69.1%, with 32.7% fear of failure rate & 5.5% innovation rate. The rate of choosing Entrepreneurship as a good career choice is 76.2%. here, we can clearly observe the rate at which Entrepreneurship opportunity unfolding is 64.9% and that the innovativeness rate of Ethiopian entrepreneurs is just 5.5%. similar organization, GEI (Global Entrepreneurship and Development Institute) measures & reports annual index by measuring the health of the entrepreneurship ecosystems in 137 countries of the world and ranking the performance of countries against each other. The GEDI collects data on the entrepreneurial attitudes, abilities and aspirations of the local population and then weights these against the prevailing social and economic 'infrastructure' – this includes aspects such as broadband connectivity and the transport links to external markets. This process creates 14 'pillars' which GEDI uses to measure the health of the regional ecosystem. Has provided picture of how each country performs in both the domestic and international context. As per the GEI Ethiopia index looks as follows;

Table: GEI Index-Ethiopia

| Rank | Country | Per capita GDP international \$ (wb) | GEI Score |
|------|----------|--------------------------------------|-----------|
| 109 | Ethiopia | 1427 | 17.8 |

Source: GEI report, 2016

After the conducting actual survey on entrepreneurs in Addis Ababa, operating in SME-industry sector. The following responses have been offered by SMEs,

SUMMARY OF FINDINGS

The study was aimed to assess globalization and indigenous entrepreneurs in Ethiopia and focused on the case of SME-industries in Addis Ababa. It explored challenges, opportunities & traits of globalization as perceived by SME-industries in Addis Ababa posing the following research question: What are the challenges of globalization to SME? What are the strategies being used by SME's to manage challenges of globalization? What are the major opportunities and traits in globalization from SME point of view? Those raised questions are answered by using survey data from managers and/or owners of SMEs and officials of sub cities. Therefore, Valid 175(85%) responses were obtained from respondents.

The overall findings are summarized as follows;

- Majorities (60%) of SMEs have been pushed by increasing heavy Competition due to entry of foreign firms, change in global social framework, change in customer preferences cultural and language change challenged SMEs competitiveness as per 74.3% respondents, more than average respondents agreed global financial crises & global political change challenged their operation direct or indirectly (Mean=3.9 & SD=0.65). The study established that 85.7% of respondents agrees that change in environmental conditions is perceived by them as a challenge to their business operation, innovation development and global financial crisis challenges the competitiveness and survival of SME in

manufacturing industry to a great extent.

- The study revealed that few organizations adopted diversification strategies ,12.57% of the SMEs are striving to adopt diversification strategy while,22.86% moderate response on adoption of diversification strategy ,but the remaining 64.57% of firms are not aware of such strategy and not utilizing any similar approaches such as venturing into new businesses, restructure, improve performance, cost sharing, pooling of resources and in developing products, technologies and resources not enabled the organization to strategically respond to the globalization. Few organizations: integrated IS/IT (14.9% of SMEs use IS/IT) , though SMEs in addis have not developed dedicated Research and development organization within their firm 6.9 % of the SME in addis are engaged in research and development of their own kind in production of new products, changed production techniques and product mix and became more innovative leadership with technical and innovative motivational style of management and differentiated products to suit the market needs and forming industry networking (55.5% of them are domestic industry networked) with suppliers and other stakeholders. There were not many products tailored for international customers with less than 17% of SMEs has tailored product to address direct or indirect export demand. This is not in line with Geringer et al. (1989), who stated that increased international diversity may increase a firm's ability to share activities of different geographic areas providing greater opportunities to achieve economies of scale in critical functions such as R&D and manufacturing over a broader base. It was revealed that majority of SMEs (Mean 3.28, STD=1.11) has common understanding in that they have not formed sufficient strategic alliance with firm in foreign market, 89.1% not undertaken restructuring and 76.6% not undertaking turn round measures like rebranding of products. There not so many (3.4%) SMEs that forged joint ventures with international strategic partners, 92.3% of SMEs have not implemented product positioning throughout local marker or internationals, 74.3% are focused on target market for enhancing efficient product delivery as well as manufacturing quality products and the target market is domestic nearby consumer. during survey & interview no special response strategy could have been witnessed under implementation by SMEs, as competitive positioning due to globalization.
- Internet has helped few (14.9%) SMEs companies to operate globally with 76.6% responses non IS/IT users to support their business operation, the increasing global demand for similar products & trade liberalization has not influenced the SMEs to look for global market this could be seen by 92.6% of SME respondents disagreed that trade liberalization is considered as an opportunity of globalization , most (69.7%) organizations agree that globalization created for them direct or indirect opportunities for acquiring foreign technology, knowledge
- This research found out that majorities (58.3%)of SME in Addis feel the importation of rival product into domestic market pushes their product out of the market and it is also agreed by most (60.6%) of SMEs that internationalization of English language is trait to their competitiveness and survival with their language level of proficiency being a barrier of communication in international market, quality standards are major barriers to enter foreign market 57.2% of the SMEs agree that their lack of understanding on international quality standards with respect to their product offer is a trait to enter any market other domestic. While some (37.7%) SME in textile and leather sector considers FDI as a rival in competing for domestic raw materials.
- Even though, international trade has long been dominated by large companies, because they have the critical mass, organizational reach and relevant technologies needed to access and supply foreign markets. thanks to the Internet and the rise of international production networks, few innovative and productive small firms now have the potential to become global players in their sector. during unstructured interview it is observed, the SMEs in addis Ababa, have limited information on global business opportunities, they have skill gap to locate/analyze market, information gaps remain a critical challenge to SMEs. The majority of SMEs has inadequate knowledge of overseas market, unable to contact potential overseas customers, poor international language proficiency and unable to aid their business with IS/IT. Very few SMEs in agro processing and Leather had utilized the opportunity of international business operation.
- most of them lack of innovative business approach with 62.9% following non innovative approach of doing business, lack of clear business strategy with only 17% adopting diversification strategy & 3.4% joining the foreign market , with 62.9% having made no change in their production and product mix.it is evident that business/marketing skills and knowledge are among various obstacles hindering the participation of SMEs in international trade & to substitute import in domestic market, this is despite the emergence of new opportunities and the benefits that can be expected from the connection of SMEs to world markets. These are obstacles internal to firms, as they are related to managerial skills, workforce capacity and the capability to adopt new technologies.

CONCLUSIONS

Small and medium industries are facing the increasing globalization of markets and competition. SMEs in Addis Ababa in particular face conflicting challenges such as the need to complete their internationalization by increasing their adaptation to local needs and at the same time to make their strategies more global. This creates that managers need to figure out what the global strategy is and then must successfully implement the strategy continued globalization.

- Coupled with the technological revolution led by the internet has changed the way most of the SMEs and institutions operate globally. Environmental forces have caused changes that have brought business challenges and opportunities particularly due to globalization. These challenges have been observed on survey result of the research, we can conclude that SMEs in Addis Ababa has been challenged by fast globalization via change in customer preferences, competition with foreign firms entering Ethiopian market and change in global social frame work that resulted in less demand on locally product. With all global medias, Information and communication forms of globalization pushing to shape and reshape global customer preferences and converge at faster rate. indigenous entrepreneurs in Ethiopia, especially small and medium industries are being fully challenged not able to be competitive to the level of the new globalized customer preference created at domestic level. Besides, advanced technology assisted international firms are exporting similar products to Ethiopia market. It is visible fact that the vast majority of population utilities imported garment, leather products, while same products being produced by SME-industries has not been scaled up to cover domestic demand & continuously pushed out of market by imported items of lower price. If the situation continuous, challenge will force the SME to be in status quo for coming years and keep them disabled to grow to large industries.
- The study concludes that, change in global business environment has forced only few small and medium industries in Addis Ababa to develop a global strategy based on systems that are adaptable to the ever changing external forces. Though, different forms of direct and indirect challenges are pushing SMEs out of competition, still the vast majority of SMEs have no clear strategy to deal with global business challenges. An SME-industry which intends to evolve as a prominent entity in this globalized arena, has to respond in a way that it does not fail to miss the surrounding opportunities. This should be in aspects of domination of major markets, core product standardization, concentrating of value-adding activities, adopting uniform market positioning and marketing mix and an integrated competitive strategy. In addition, the study concludes that small and medium manufacturing companies did not re-organized their operating structures in response to the globalization. Not mostly adopted diversification strategies in response to globalization enhance firm productivity and delivery of products is not attractive to the level of global competitiveness. SMEs need to have adaptability response strategies to globalization so that they face decreased risk and uncertainty facing their business operation due to globalization. Firms need to develop competitive advantage by creating value in a way that is difficult for competitors to imitate making operational effectiveness for achieving a sustainable competitive advantage. Therefore, organizations are required to be flexible in order to respond to competitive and global market changes.

RECOMMENDATIONS

Based on the survey findings and available literature, the study proposes the following recommendations that small and medium manufacturing companies can use to boost their performance.

- Small and medium manufacturing companies should have a global outlook and receive formal support in the form of business training, professional advice and better networking and collaboration skills in order to survive and be successful in a constantly globalizing and changing environment. To fulfil SME's potential for job creation and long-run economic growth, governments will need to ensure a business environment that stimulates innovation and entrepreneurship among SMEs and does not impose undue burdens on them. Small businesses should consider what global trends are affecting availability of resources, increasing or decreasing demand for products or service and where there is an unfulfilled need one might be able to meet. This reduces challenge to companies even when the government steps in to provide information on business trends.
- The government has to provide financial aid, counseling and other forms of assistance and support local SME industries to be globally competitive. There is also implication for a more in-depth research in the area of globalization and survival and success of smaller firms. Such a study is expected to contribute to the development of a model or framework that could be used to enhance understanding on the impact of globalization on SMEs.
- Government agencies, supporting NGO's or any other entity supporting Ethiopian SME, should facilitate or offer intensive business oriented IT & language skills to SME, so that they utilize them on

their effort to find partners from foreign markets, adopt better system from international market operating in same industry. Lack of marketing strategy, lack of business leadership & management are among roadblocks to the progress of SME in Global market.

- FSMMDA could facilitate dedicated SMI export support office, that could coordinate with
- Global product quality certification authorities and assist the SME's per business category to get International Quality Certifications, support SME with formation of strategic alliance with firm in foreign market, facilitate for SME to joint venture with international strategic partners. A range of support programs could also be provided to tackle critical SME internationalization barriers by identifying foreign business opportunities, locating or analyzing markets, and contacting potential overseas customers and partners with a group of Ethiopian SMEs. The Export Support office should
 - ✓ The provision of information about specific markets and potential customers;
 - ✓ Help in making contact with potential customers or appropriate public and private intermediaries and business service providers;
 - ✓ Assistance with market visits.
- SME-FDI linkage should be facilitated based on the 'fit-to-supply' principle, by Offering some form of incentive to MNCs and local SMEs to participate in the linkage program.
- Centralized information resources should be facilitated on potential local suppliers to potential MNC purchasers and about supply opportunities to potential suppliers.

Finally, I would like to recommend further research to be done assessing the participation of Ethiopian SMEs in international production chain. Which could help to understand the level of Ethiopian SMEs involvement in providing semi-finished products /production inputs to manufacturers across the globe.

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